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REASON 3DJ

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BACKGROUND: OIL EXPLORATION IN OMAN AND MUSCAT

1. Cities Service exploration in Dhofar Province

Cities Service took over the concession from IPC in 1953. A 12,000 foot well was drilled in 1955, three more in 1956, and a fifth well--the discovery well--in 1957.

The discovery well produces from a sand 100'-150' thick at 3,200 foot in a structure measuring about 11 by 5 miles. The drilling continues to deeper levels.

The oil bearing structure is one of about 25 potentially productive structures which have been mapped in the segment of the Dhofar concession thus far explored. It is believed that these structures extend into adjacent territories.

Although the heavy 22 gravity oil is of lower quality than the average Middle Eastern crude, it has no objectionable sulfur content and the company does not doubt its ability to market the oil at competitive prices. Company officials believe that the potential in the concession area includes the probability of high gravity oil as well.

Cities Service plans to step up exploration with the addition of two light rigs and one deep drilling rig. A 35 mile pipeline (16" - 20" diameter) to the coast is envisaged, and no extraordinary construction problems are involved.

2. Iraq Petroleum Company exploration in other areas of the Sultanate

The test well at Fahud, west of the area now in rebellion, was abandoned in May after reaching 12,000 feet. The IPC party (5 Americans and 8 Britains) at Fahud is dismantling the camp and will undertake

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seismic tests to the southeast with good hopes of ultimate success in locating sedimentary formations bearing oil.

IPC is owned by British, Dutch, French and American companies--each with equal interest. Since the British own a 40 percent share of Royal Dutch Petroleum, the British influence predominates.

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